



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
PHILADELPHIA DISTRICT OFFICE
MELLON INDEPENDENCE CENTER
701 MARKET STREET
SUITE 2000
PHILADELPHIA, PENNSYLVANIA 19106-1532

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JD
KINGDON KASE
SENIOR TRIAL COUNSEL
(215) 597-0794
kasek@sec.gov

August 8, 2006

**VIA FACSIMILE (215) 580-2141
and FIRST CLASS MAIL**

Honorable Jan E. DuBois
12613 United States Courthouse
601 Market Street
Philadelphia, Pennsylvania 19106

FILED

AUG 8 2006

MICHAEL E. KUNZ, Clerk
By *[Signature]* Dep. Clerk

Dear Judge DuBois,

I am writing on behalf of both the Securities and Exchange Commission and defendant Michael A. Liberty in response to your Order, issued July 10, 2006, in which you directed the parties to file a supplemental status report on or before August 9, 2006. Since that time, counsel for the Commission and counsel for Mr. Liberty have engaged in settlement discussions that, at this juncture, have not been successful in moving this matter toward settlement. Therefore, counsel for the respective parties have agreed to meet on August 22, 2006, in order to work out a proposed discovery schedule, which we expect jointly to submit to the Court by August 25, 2006.

I am available to discuss this matter further if Your Honor would like. Thank you for your consideration.

*[Handwritten signature of Kingdon Kase]
Very truly yours,
Kingdon Kase
Senior Trial Counsel*

cc: Jay A. Dubow, Esquire (via facsimile)